

Is Free Education Really Free?

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The cost of college is remarkable. Shelling out thousands of dollars for some knowledge and a receipt claiming you paid is, in a few words, the modern American college system. Perhaps unsurprisingly, policies have been proposed to reduce the cost of college, even making it free in some instances. On January 9, 2015 President Obama unveiled a plan to make “two years of community college free for responsible students across America.”¹ Given the Republican control of Congress, the idea stands little chance of being passed, but it is still interesting to consider.² Under the President’s plan, all Americans, regardless of income, would have access to two years of free community college education provided the student maintains a 2.5 GPA

and part-time status.³ The benefits would be numerous, but so would the costs.

The concept of free education is not a new one. Germany has provided free post-secondary education for over 60 years.⁴ Unlike in the United States, however, not everyone qualifies to attend college in Germany; only those who pass qualification tests are granted acceptance. In fact, most European universities charge no tuition and only collect minimal fees.⁵ The result is affordable education for students. Whether or not the education is superior to American education is up for debate, but the point remains that European students pay very little relative to American students.

American students, upon graduation from high school, often chose not to attend college simply because of costs.⁶ The average cost of attending a public college in America, including room and board, is over \$20,000 per year.⁷ The low price of community colleges, specifically \$3,300 per year, entices students to remain at home and commute to a local community college. Students who take out loans to pay for college carry, on average, \$27,850 in debt.⁸ In May 2013, total United States student debt was estimated to surpass \$1.2 trillion.⁹ American student debt constricts the economy by reallocating potential consumption to the paying of interest. Avenues to reduce student debt are becoming increasingly common, with America's College Promise among the most popular. President Obama unveiled this plan as a solution to help middle class families cover the cost of college. The program doesn't seek to assist low-income students who already receive grants, such as the Pell Grant, to attend community college.¹⁰ Obama instead desires for the plan to assist middle class families who otherwise would not qualify to receive funding for college.

Liberals and conservatives alike acknowledged the benefits of a more educated public and middle class but were simultaneously skeptical of the source of funding. Seventy-five percent of funding would come from the federal government and states would cover the remaining

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twenty-five percent.¹¹ Requiring states to cover 25 percent of the budget could prove to be controversial if state governments don't want to allocate funds for the program. Overall, costs are expected to reach \$60 billion over ten years to pay for the estimated 9 million students who will attend community college.¹² Even though the proposed plan would constitute less than 0.1 percent of the federal budget, the costs are still substantial to state governments, especially in an era of declining investment in public colleges and universities.

The positive externalities of an educated population increase the general well-being of people's lives. Higher educated citizens are more likely to appropriately self-diagnose health levels

and make necessary changes.¹³ Studies have shown a negative correlation between obesity and education levels.¹⁴ Households with less than a high school degree had a nearly 25 percent obesity rate compared with 10 percent in households with a bachelor's degree.¹⁵ Americans with a bachelor's degree lived, on average, 9.3 years longer than those with less than a high school degree.¹⁶ Considering obesity related problems cost the U.S. between \$147 billion and \$209 billion every year, any reduction in obesity would greatly benefit the nation.^{17, 18}

Higher education levels also reduce crime and promote governmental integrity. The probability of imprisonment decreases with each additional year of schooling.¹⁹ If the public was more educated, prison costs, which currently reach \$39 billion annually, could drop.²⁰ Voter participation is also higher when education levels are higher. Milton Friedman, in *Capitalism and Federalism*, writes, "A stable and democratic society is impossible without a minimum degree of literacy and knowledge."²¹ Democratic participation necessitates that most citizens are well educated and well informed of public affairs. Those who enroll in college, regardless of completion, are nearly 20 percent more likely to vote in elections.²² Governmental officials are less likely to succumb to corrupt acts when their constituents are better educated.²³

America's College Promise, in addition to externalities, may provide economic benefits for America as a whole. The White House hasn't yet provided an estimate for total economic benefit and studies haven't yet been conducted evaluating the President's plan. However, a few other findings can be analyzed despite a lack of direct empirical evidence on the topic. A study evaluating community colleges in Kentucky found that individuals with an associate's degree make 24 percent more, on average, than those who only have a high school degree.²⁴ The same study found a 10 percent increase in Kentucky's community college enrollment would provide benefits, economic and social, between \$48 million and \$61 million.

This is quite a substantial benefit for a single state, but it should be noted that these benefits do not necessarily translate into America's College Promise. Foremost amongst these discrepancies, increasing community college enrollment by 10 percent would be difficult because most people who would attend community college are already enrolled. The White House does estimate, however, nearly "9 million students could benefit."²⁵ This estimate primarily includes the 6.8 million students already enrolled in community colleges.²⁶

A study by RAND found governments receive a greater net public budget when citizens attain higher education levels.²⁷ In other words, the more

people that go to college, the more money the government will receive in tax revenue. The RAND study measured the increased tax revenue and found that increasing educational levels from high school to some colleges garnered nearly \$40,000 in net lifetime tax revenue.²⁸ Additionally, an investigation by CEO's for Cities found that in 51 metropolitan regions across the U.S., a 1 percent increase in educational attainment would provide a nearly \$124 billion increase in annual aggregate household income.²⁹ Even with a conservative estimate of the federal tax rate at 15 percent, the economic benefits could surpass \$18 billion each year.

America's College Promise draws inspiration from a similar program in Tennessee called the Tennessee Promise.³⁰ The official website of the program states that the Tennessee Promise, "will provide students a last-dollar scholarship, meaning the scholarship will cover tuition and fees not covered [by other grants]."³¹ Funding for the program primarily comes from private donations, a reduction of HOPE awards and spillovers from the Tennessee lottery.³² HOPE grants in Tennessee provide students minimal assistance (\$1,500-\$2,250 per year) in return for enrolling in a college.³³ Reducing the program's award amount to pay for community college will reallocate funds and will not cost the government too much more. There is very little impact on taxes paid by Tennessee residents, unlike America's

College Promise, which will be funded primarily by taxpayers. Another issue is that the Tennessee Promise hasn't been implemented yet. America's College Promise is based on a program that won't begin until the fall of 2015.³⁴ President Obama has also mentioned that the plan has similarities with a program in Chicago. The Chicago Star Scholarship covers the costs of tuition, books and fees. No implementation of the programs has occurred, however, so there is no data on the success of the programs.³⁵

A local program that has been in effect for a few years is the Pittsburgh Promise. The Pittsburgh Promise provides graduates of Pittsburgh public schools up to 10,000 dollars a year to attend a college, either two or four year, in the Commonwealth of Pennsylvania.³⁶ The program is funded almost entirely by private fundraising and is expected to cost \$250 million over 10 years.³⁷ Since 2008, more than 5,500 students have received a grant to pursue higher education. The program has shown tremendous success in increasing the amount of college graduates in the city of Pittsburgh.³⁸ A CEO's for Cities presentation estimates that if 1 percent more people in the city of Pittsburgh attain a college degree, the city could experience an annualized benefit of \$1.8 billion.³⁹ However, funding for this program comes almost entirely from private donors and not the city budget, making it far less controversial.

The main criticism of America's College Promise involves the extent to which educational levels will actually increase. Many students don't even graduate high school, and many who start college don't finish.⁴⁰ In fact, over the past 20 years, nearly 30 million individuals have enrolled in a college but didn't finish. If America's College Promise funded everyone who enrolled in a community college, the cost of paying for students who end up not even graduating could be enormous. Much of the 60 billion dollars spent on the program would undoubtedly pay for students whose education level would be unchanged.

Another problem is uneven concentration of community colleges, which would further divide the educated from the uneducated. Many citizens do not live near a community college and would receive no benefit from the free tuition. The term "education desert" refers to a region or community where educational opportunities are limited. A study evaluating commuting zones found that 11 percent of the U.S. population live in an education desert.⁴¹ The same study discovered Hispanics or other low educational attainment minority groups often populated these areas. Since not everyone has access to a community college, America's College Promise could unfairly benefit those who do.

Education deserts could further the additional problem of substandard

education. A study found that living close to a community college increased the probability of attending college but reduced total education attainment.⁴² The reasoning being that many students who would have otherwise attended a four-year college settled for attending the community college and never obtained a bachelor's degree. President Obama's plan could possibly decrease education attainment because students would choose to attend a community college in lieu of a four-year college. This concern, however, is minimal because it happens on such a small scale.

Despite questions surrounding America's College Promise, its likely benefits — namely, increased health of citizens and increased government participation — vastly outweigh its potential setbacks. The program would increase the competitive nature of America's economy as well as raising tax revenue, which could assist in paying for the program. Above all, America's College Promise revives necessary standards that can stimulate a rise in education and competitiveness in an increasingly globalized atmosphere.

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